



# Innovative Governance Approaches in Metropolitan Areas in Developing Countries



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in Developing Countries

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# Introduction

- ❑ Challenge of rapid urbanization: traffic congestion, air and water pollution, deteriorating infrastructure poverty and slums, income polarization, violence and crime
- ❑ Governance of metropolitan areas: critical to how efficiently services are delivered, how they are coordinated across the metropolitan area, how costs are shared, how citizens access local government and how responsive and accountable are local governments

# Outline of Presentation

- ❑ Criteria for evaluating governance models
  
- ❑ Governance models in metropolitan areas
  - ❑ Five Models: advantages and disadvantages
  - ❑ Examples from different metropolitan areas
  
- ❑ Final Observations
  - ❑ Innovative governance mechanisms
  - ❑ National and local context matter
  - ❑ Need for a regional structure; balance regional and local considerations

# Criteria to Evaluate Governance Models

- Economic Efficiency
- Economies of scale
- Externalities
- Equity
- Access and accountability
- Local responsiveness/competition

# Five Models

- ❑ One-tier fragmented government structures
- ❑ One-tier consolidated government structures
- ❑ Two-tier government model
- ❑ City-state
- ❑ Voluntary cooperation/special purpose districts

*A metropolitan area can reflect more than one model*

# Fragmented One-Tier

- ❑ Many local governments operate in metropolitan area with independence in choosing public services and fees, taxes, and debt financing
- ❑ Local autonomy, responsiveness, competition
- ❑ Inability to address spillovers; lack of coordination of services and planning and economic development; cost of services not shared equitably across metropolitan area

# Fragmented One-Tier Structures

- ❑ Los Angeles – 200 cities and 5 county governments
- ❑ Geneva – 74 municipalities
- ❑ São Paulo – 39 municipalities
- ❑ Mexico City – federal district, 16 municipal units, two states with 59 municipalities, federal government
- ❑ Manila – “city of villages”
- ❑ Mumbai – 7 municipal corporations, 13 municipal councils, parts of two districts, more than 900 villages, 21 parastatals

*Examples of inter-municipal cooperation to follow*



# One-Tier Consolidated

- ❑ Metropolitan government with powers to deliver services and raise revenues across metropolitan area
- ❑ Economies of scale; redistribution between rich and poor areas; coordination of service delivery; internalizes externalities; more choices for efficient taxation
- ❑ Threat to local autonomy, responsiveness, and citizen engagement
  - ❑ Innovative mechanisms – open government; participatory budgeting
- ❑ Reduces competition among municipalities – weakened incentives to be efficient
- ❑ What is the appropriate boundary?



# Consolidated One-Tier Structures

- ❑ Cape Town – geographic boundary coincides with economic region
- ❑ Toronto – a city too big and too small
- ❑ Shanghai – one-tier with administrative units divided into urban districts and street offices
- ❑ Abidjan – move from a two-tier system to one tier



# Two-Tier

- ❑ Upper tier provides services that are region-wide; lower tiers provide local services
- ❑ Upper tier: economies of scale, redistribution, internalize externalities
- ❑ Lower tiers: access and accountability
- ❑ Costs may be higher because of duplication
- ❑ May be less transparent and more confusing for citizens

# Two-Tier Structures

- ❑ London – Greater London Authority plus 32 boroughs
- ❑ Barcelona – Metropolitan council plus 36 lower tiers
- ❑ Tokyo – Metropolitan government plus 23 special wards, 26 cities, 5 towns, 8 villages
- ❑ Seoul – Metropolitan government plus 25 districts



# City-States

- ❑ City and state powers
- ❑ Internalize externalities, region-wide taxation, broad-based taxes, enhanced borrowing powers
- ❑ Expansion of boundaries into other states is difficult
- ❑ Tensions between city-state governments and central government

# City-States

- ❑ Berlin, Bremen, Hamburg
- ❑ Singapore
- ❑ Shanghai
- ❑ Ulaanbaatar





# Special Purpose Districts

- ❑ Single function placed under control of special district; may have access to dedicated revenue stream (e.g. user fee or earmarked tax)
- ❑ Easy to create politically; easy to disband; local autonomy; economies of scale; address externalities
- ❑ Potential problems of accountability; redistribution not automatic
- ❑ No regional vision

# Special Purpose Districts

- ❑ Greater ABC Region in São Paulo (“bottom up”)
- ❑ Public company for transportation planning for metro area in Bogotá
- ❑ Parastatals in Mumbai delivering a range of services



# Final Observations

- ❑ Innovations to balance regional and local interests:
  - ❑ two-tier government structure
  - ❑ special districts/voluntary cooperation for regional coordination; economies of scale; externalities
  - ❑ participatory budgeting; open government to encourage local participation in large metropolitan areas



# Final Observations

- ❑ Different models have worked in different places at different times
  - no one model works best
  
- ❑ National and local context matter:
  - ❑ constitution
  - ❑ division of responsibilities and revenues
  - ❑ authoritarian or democratic traditions
  - ❑ history of local autonomy
  
- ❑ Governance and finance are linked – design effective metropolitan governance and then appropriate fiscal structure
  
- ❑ Need for strong regional structure that encompasses economic region; need to balance regional and local interests